

**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of State Parks
Honolulu, Hawaii**

January 26, 2007

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

**Subject: Permission to Enter into a Revocable Permit with S.M.C.A.,
 Inc. For the Food and Rental of Swimming Equipment at
 Hapuna Beach State Recreation Area, Island of Hawaii**

At its meeting of February 10, 2006, the Board approved a Revocable Permit to S.M.C.A., Inc. to provide food, non-alcoholic beverages and rental of beach equipment from the Hapuna concession building and vending machines for food and non-alcoholic beverages at the cabin area pavilion. S.M.C.A. had previously operated the concession under a five-year contract.

The Division of State Parks is pursuing a Request for Qualifications/Request for Proposal (RFQ/RFP) for the development and operation of approximately 500 acres of Hapuna to include the concession building that is the subject of this request. If successful, this concession and a campground will be operated by a private entity under a development agreement and lease.

Until the award of a lease through the RFQ/RFP process, staff is requesting to enter into an annual Revocable Permit (month to month) with S.M.C.A., Inc. to operate the Hapuna food concession, non-alcoholic beverages and beach equipment rental from the Hapuna concession building. The Board reserves the right to exercise price control and determine the nature and type of food and beach rental equipment that may be sold or rented by S.M.C.A., Inc. For 2006, the Board approved rent under the RP for months one through to six, at 8% of gross revenue only, beginning month seven for the duration for the RP, monthly rent will be \$1,200 per month versus 8% of gross revenue, whichever is greater. Historically, during high surf conditions, the beach at Hapuna closes which has a direct impact on the concession revenue. Staff is recommending that on days when the beach is closed due to high surf, the monthly rent will be prorated and reduced by the number of days the beach is closed.

ITEM E-1

RECOMMENDATION:

That the Land Board approves entering into an annual Revocable Permit on a month-to-month term with S.M.C.A., Inc. effective February 15, 2007, based on the conditions above, monthly rent will be \$1,200 per month versus 8% of gross revenue, whichever is greater.

That on days when the beach is closed due to high surf the monthly rent will be prorated and reduced by the number of days the beach is closed.

In the prior Board approval, the Board waived Condition 14 of the RP, which required Phase 1 environmental site assessment and abatement. That waiver will apply to this approval.

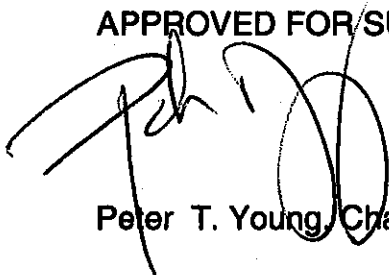
Further, authorize the Chairperson to prescribe such other terms and conditions to best serve the interests of the State.

Respectfully submitted,



DANIEL S. QUINN
State Parks Administrator

APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson